

**DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION**



**QUOTA PLAN OF TOBACCO
CROP INSURANCE POLICY
(This is a continuous contract. Refer to Section 15.)**

AGREEMENT TO INSURE: We will provide the insurance described in this policy in return for the premium and your compliance with all applicable provisions.

Throughout this policy, "you" and "your" refer to the insured shown on the accepted Application and "we," "us," and "our" refer to the Federal Crop Insurance Corporation.

TERMS AND CONDITIONS

1. CAUSES OF LOSS.

a. The insurance provided is against unavoidable loss of production resulting from the following causes occurring within the insurance period:

- (1) adverse weather conditions;
- (2) fire;
- (3) insects;
- (4) plant disease;
- (5) wildlife;
- (6) earthquake;
- (7) volcanic eruption; or
- (8) failure of the irrigation water supply due to an unavoidable cause occurring after the beginning of planting;

unless those causes are excepted, excluded, or limited by the actuarial table or section 9d(6).

b. We will not insure against any loss of production due to:

- (1) the neglect, mismanagement, or wrongdoing of you, any member of your household, your tenants, or employees;
- (2) the failure to follow recognized good tobacco farming practices;
- (3) the impoundment of water by any governmental, public, or private dam or reservoir project; or
- (4) any cause not specified in section 1a as an insured loss.

2. CROP, ACREAGE, INSURED POUNDAGE QUOTA, AND SHARE INSURED.

a. The crop insured will be tobacco of the type shown as insurable in the actuarial table, which is grown on insured acreage, and for which a premium rate is provided by the actuarial table.

b. The acreage insured for each crop year will be an insurable type of tobacco planted on insurable acreage and in which you have a share, as reported by you or as determined by us, whichever we elect.

c. The insured share will be your share as landlord, owner-operator, or tenant in the insured tobacco at the time of planting.

d. We do not insure any acreage:

- (1) if the farming practices carried out are not in accordance with the farming practices for which the premium rates have been established;
- (2) on which the tobacco was destroyed for the purpose of conforming with any other program administered by the United States Department of Agriculture;
- (3) which is destroyed, it is practical to replant to tobacco, and such acreage was not replanted;
- (4) initially planted after the final planting date contained in the actuarial table unless you agree, in writing, on our form to coverage reduction;
- (5) planted to tobacco of a discount variety under provisions of the tobacco price support program;

(6) planted to a type or variety of tobacco not established as adapted to the area or excluded by the actuarial table;

(7) designated as uninsurable by the actuarial table; or

(8) planted for experimental purposes.

e. The insured poundage quota for each crop year will be the effective poundage marketing quota applicable to the unit as provided under ASCS Tobacco Marketing Quota Regulations for the crop year plus any additional poundage you intend to produce on the unit that crop year, as reported by you or as determined by us, whichever we elect. However:

(1) the insured poundage quota may not include any amount which would be subject to a marketing quota penalty under ASCS Tobacco Marketing Quota Regulations;

(2) the poundage marketing quota may be reduced for any carryover tobacco to be marketed under the poundage quota applicable to the unit when such poundage reduction is clearly specified by you in filing the acreage and quota report;

(3) the insured poundage quota will never exceed the pounds obtained by multiplying the insured acres by the applicable farm yield per acre; and

(4) unless otherwise provided by the actuarial table, for any crop year in which tobacco poundage marketing quota regulations are not in effect, the insured poundage quota will be the pounds obtained by multiplying the applicable farm yield per acre times the lower of the reported or insured acreage on the unit.

f. If insurance is provided for an irrigated practice:

(1) you must report as irrigated only the acreage for which you have adequate facilities and water to carry out a good tobacco irrigation practice at the time of planting;

(2) any loss of production caused by failure to carry out a good tobacco irrigation practice, except failure of the water supply from an unavoidable cause occurring after the beginning of planting, will be considered as due to an uninsured cause. The failure or breakdown of irrigation equipment or facilities will not be considered as a failure of the water supply from an unavoidable cause.

Insurance will not attach on an irrigated basis to acreage otherwise insurable on such basis unless it is designated as irrigated at the time the acreage is reported.

g. We may limit the insured acreage to any acreage limitation established under any Act of Congress, if we advise you of the limit prior to planing.

3. REPORT OF ACREAGE, SHARE, AND POUNDAGE QUOTA.

You must report on our form:

- a. all the acreage of insurable types of tobacco in the county in which you have a share;
- b. your share at the time of planting; and
- c. the effective poundage marketing quota applicable to the unit as provided under ASCS Tobacco Marketing Quota Regulations plus any additional poundage you intend to produce on the unit in that crop year. Such poundage marketing quota may be reduced for any carryover tobacco to be marketed under the poundage quota applicable to the unit provided such poundage reduction is clearly specified in filing the acreage and quota report. The quota so reported must not be subject to change by you.

You must designate separately any acreage that is not insurable. You must report if you do not have a share in any tobacco planted in the county. This report must be submitted annually on or before the reporting date established by the actuarial table. All indemnities may be determined on the basis of information you have submitted on this report. If you do not submit this report by the reporting date, we may elect to determine by unit the insured acreage, share, and practice or we may deny liability on any unit. Any report submitted by you may be revised only upon our approval.

4. AMOUNTS OF INSURANCE AND COVERAGE LEVELS.

- a. The coverage levels are contained in the actuarial table.
- b. The amount of insurance for a unit will be the dollar amount determined by multiplying the insured poundage quota for the unit by the percentage guarantee for the applicable coverage level established by the actuarial table and multiplying this product by the current year's support price for type 31 tobacco (rounded to the nearest cent) less six cents per pound for warehouse charges.
- c. Coverage level 2 will apply if you have not elected a coverage level.
- d. You may change the coverage level on or before the closing date for submitting applications for the crop year as established by the actuarial table.

5. ANNUAL PREMIUM.

- a. **The annual premium is earned and payable at the time of planting.** The amount is computed by multiplying the amount of insurance for the unit times the premium rate, times your share at the time of planting.
- b. Interest will accrue at the rate of one and one-half percent (1 1/2%) simple interest per calendar month, or any part thereof, on any unpaid premium balance starting on the first day of the month following the first premium billing date.
- c. If you are eligible for a premium reduction in excess of 5 percent based on your insuring experience through the 1983 crop year under the terms of the Experience Table contained in the tobacco policy for the 1984 crop year, you will continue to receive the benefit of that reduction subject to the following conditions:
 - (1) No premium reduction will be retained after the 1989 crop year;
 - (2) The premium reduction will not increase because of favorable experience;
 - (3) The premium reduction will decrease because of unfavorable experience in accordance with the terms of the 1984 policy;
 - (4) Once the loss ratio exceeds .80, no further premium reduction will apply; and
 - (5) Participation must be continuous.

6. DEDUCTIONS FOR DEBT.

Any unpaid amount due us may be deducted from any indemnity payable to you or from any loan or payment due you under any Act of Congress or program administered by the United States Department of Agriculture or its Agencies.

7. INSURANCE PERIOD.

Insurance attaches when the tobacco is planted and ends at the earliest of:

- a. total destruction of the tobacco;
- b. weighing-in at the tobacco warehouse;
- c. removal of the tobacco from the unit (except for curing, grading, packing, or immediate delivery to the tobacco warehouse);
- d. final adjustment of a loss; or
- e. February 28 immediately following the normal harvest period.

8. NOTICE OF DAMAGE OR LOSS.

a. In case of damage or probable loss:

- (1) You must give us written notice if:
 - (a) during the period before harvest, the tobacco on any unit is damaged and you decide not to further care for or harvest any part of it;
 - (b) you want our consent to put the acreage to another use; or
 - (c) after consent to put acreage to another use is given, additional damage occurs.

Insured acreage may not be put to another use until we have appraised the tobacco and given written consent. We will not consent to another use until it is too late to replant. You must notify us when such acreage is put to another use.

- (2) You must give us notice at least 15 days before the beginning of harvest if you anticipate a loss on any unit.
- (3) If probable loss is later determined, immediate notice must be given. A representative sample of the unharvested tobacco (at least 10 feet wide and the entire length of the field) must remain unharvested for a period of 15 days from the date of notice unless we give you written consent to harvest the sample.
- (4) **Notice must be given immediately if any tobacco is destroyed or damaged by fire during the insurance period.**
- (5) If tobacco is not to be sold through auction warehouses and an indemnity is to be claimed, notice must be given in sufficient time to allow us to inspect the cured tobacco prior to its sale or other disposition.
- (6) In addition to the notices required by this section, if you are going to claim an indemnity on any unit, we must be given notice **not later than 30 days** after the earliest of:
 - (a) total destruction of the tobacco on the unit;
 - (b) the date marketing or other disposal of the insured tobacco on the unit is completed; or
 - (c) the calendar date for the end of the insurance period.

b. **You must obtain written consent from us before you destroy any of the tobacco which is not to be harvested.**

c. We may reject any claim for indemnity if any of the requirements of this section or section 9 are not complied with.

9. CLAIM FOR INDEMNITY.

- a. Any claim for indemnity on a unit must be submitted to us on our form not later than 60 days after the earliest of:
 - (1) total destruction of the tobacco on the unit;
 - (2) the date marketing or other disposal of the insured tobacco on the unit is completed; or
 - (3) the calendar date for the end of the insurance period.
- b. We will not pay any indemnity unless you:
 - (1) establish the total production of tobacco on the unit and that any loss of production has been directly caused by one or more of the insured causes during the insurance period; and
 - (2) furnish all information we require concerning the

- loss.
- c. The indemnity will be determined on each unit by:
 - (1) subtracting from the amount of insurance for the unit, the value of the total production of tobacco to be counted (see section 9d); and
 - (2) multiplying the remainder by your share.
 - d. The value of the total production to be counted for a unit will include the value of all harvested and appraised production.
 - (1) Production to count will include:
 - (a) the gross returns (less six cents per pound for warehouse charges) from tobacco sold on the warehouse floor;
 - (b) the fair market value of the tobacco sold other than on the warehouse floor;
 - (c) the fair market value of the tobacco harvested and not sold;
 - (d) the fair market value of any unharvested tobacco as if such tobacco were harvested and cured; and
 - (e) the current year's support price per pound (less six cents per pound for warehouse charges) for appraisals made by us for poor farming practices or uninsured causes of loss. (If a price support program is not in effect, such appraised production will be valued at the market price for the current crop year.)
 - (2) To enable us to determine the fair market value of tobacco not sold through auction warehouses, we must be given the opportunity to inspect such tobacco before it is sold, contracted to be sold, or otherwise disposed of, and if the best offer you receive for any such tobacco is considered by us to be inadequate, to obtain additional offers on your behalf.
 - (3) The value of appraised production to be counted will include:
 - (a) the value of unharvested production on harvested acreage and potential production lost due to uninsured causes and failure to follow recognized good tobacco farming practices;
 - (b) not less than the average amount of insurance per insured acre for the unit for any acreage which is abandoned or put to another use without our prior written consent or damaged solely by an uninsured cause;
 - (c) not less than 35 percent of the average amount of insurance per insured acre for the unit for all other unharvested acreage.
 - (4) Any appraisal we have made on insured acreage for which we have given written consent to be put to another use will be considered production unless such acreage is:
 - (a) not put to another use before harvest of tobacco becomes general in the county;
 - (b) harvested; or
 - (c) further damaged by an insured cause before the acreage is put to another use.
 - (5) The amount of production of any unharvested tobacco may be determined on the basis of field appraisals conducted after the end of the normal harvest period.
 - (6) If you elect to exclude hail and fire as insured causes of loss and the tobacco is damaged by hail or fire, appraisals will be made in accordance with Form FCI-78, "Request to Exclude Hail and Fire."
 - (7) The commingled production of units will be allocated to such units in proportion to our liability on the harvested acreage of each unit.
 - e. You must not abandon any acreage to us.
 - f. You may not bring suit or action against us unless you have complied with all policy provisions. If a claim is denied, you may sue us in the United States District Court under the provisions of 7 U.S.C. 1508(c). You must bring suit within 12 months of the date notice of denial is mailed to and received by you.
 - g. We will pay the loss within 30 days after we reach agreement with you or entry of a final judgment. In no instance will we be liable for interest or damages in connection with any claim for indemnity, whether we approve or disapprove such claim.
 - h. If you die, disappear, or are judicially declared incompetent, or if you are an entity other than an individual and such entity is dissolved after the tobacco is planted for any crop year, any indemnity will be paid to the person(s) we determine to be beneficially entitled thereto.
 - i. If you have other fire insurance, fire damage occurs during the insurance period, and you have not elected to exclude fire insurance from this policy, we will be liable for loss due to fire only for the smaller of:
 - (1) the amount of indemnity determined pursuant to this contract without regard to any other insurance; or
 - (2) the amount by which the loss from fire exceeds the indemnity paid or payable under such other insurance. For the purpose of this section, the amount of loss from fire will be the difference between the fair market value of the production on the unit before the fire and after the fire.
- 10. CONCEALMENT OR FRAUD.**
We may void the contract on all crops insured without affecting your liability for premiums or waiving any right, including the right to collect any amount due us if, at any time, you have concealed or misrepresented any material fact or committed any fraud relating to the contract, and such avoidance will be effective as of the beginning of the crop year with respect to which such act or omission occurred.
 - 11. TRANSFER OF RIGHT TO INDEMNITY ON INSURED SHARE.**
If you transfer any part of your share during the crop year, you may transfer your right to an indemnity. The transfer must be on our form and approved by us. We may collect the premium from either you or your transferee or both. The transferee will have all rights and responsibilities under the contract.
 - 12. ASSIGNMENT OF INDEMNITY.**
You may assign to another party your right to an indemnity for the crop year, only on our form and with our approval. The assignee will have the right to submit the loss notices and forms required by the contract.
 - 13. SUBROGATION.** (Recovery of loss from a third party.)
Because you may be able to recover all or a part of your loss from someone other than us, you must do all you can to preserve any such rights. If we pay you for your loss, then your right of recovery will at our option belong to us. If we recover more than we paid you plus our expenses, the excess will be paid to you.
 - 14. RECORDS AND ACCESS TO FARM.**
You must keep, for two years after the time of loss, records of the harvesting, storage, shipment, sale, or other disposition of all tobacco produced on each unit including separate records showing the same information for production from any uninsured acreage. Any person designated by us will have access to such records and the farm for purposes related to the contract.
 - 15. LIFE OF CONTRACT: CANCELLATION AND TERMINATION.**
 - a. **This contract will be in effect for the crop year specified on the application and may not be canceled by you for such crop year. Thereafter, the contract will continue in force for each succeeding crop year unless canceled or terminated as provided in this section.**
 - b. This contract may be canceled by either you or us for any succeeding crop year by giving written notice on or before the cancellation date preceding such crop year.
 - c. This contract will be canceled if you do not furnish satisfactory records of the previous year's production to

us on or before the cancellation date. If the insured, prior to the cancellation date, shows, to our satisfaction, that records are unavailable due to conditions beyond the insured's control such as fire, flood, or other natural disaster, the Field Actuarial Office may assign a yield for that year. The assigned yield will not exceed the ten-year average.

- d. This contract will terminate as to any crop year if any amount due us on this or any other contract with you is not paid on or before the termination date preceding such crop year for the contract on which the amount is due. The date of payment of the amount due:
 - (1) if deducted from an indemnity will be the date you sign the claim; or
 - (2) if deducted from payment under another program administered by the United States Department of Agriculture will be the date both such payment and setoff are approved.
- e. The cancellation and termination dates are April 15.
- f. If you die or are judicially declared incompetent, or if you are an entity other than an individual and such entity is dissolved, the contract will terminate as of the date of death, judicial declaration, or dissolution. If such event occurs after insurance attaches for any crop year, the contract will continue in force through the crop year and terminate at the end thereof. Death of a partner in a partnership will dissolve the partnership unless the partnership agreement provides otherwise. If two or more persons having a joint interest are insured jointly, death of one of the persons will dissolve the joint entity.
- g. The contract will terminate if no premium is earned for five consecutive years.

16. CONTRACT CHANGES.

We may change any of the terms and provisions of the contract from year to year. All contract changes will be available at your service office by December 31 preceding the cancellation date. Acceptance of any changes will be conclusively presumed in the absence of any notice from you to cancel the contract.

17. MEANING OF TERMS.

For the purposes of quota tobacco crop insurance:

- a. "**Actuarial table**" means the forms and related material for the crop year approved by us which are available for public inspection in your service office and which show the coverage levels, premium rates, practices, insurable and uninsurable acreage, and related information regarding tobacco insurance in the county.
- b. "**ASCS**" means the Agricultural Stabilization and Conservation Service of the United States Department of Agriculture.
- c. "**Carryover tobacco**" means any tobacco on hand from the previous year's production.
- d. "**County**" means the county shown on the application and:
 - (1) any additional land located in a local producing area bordering on the county, as shown by the actuarial table; and
 - (2) any land identified by an ASCS farm serial number for the county even though physically located in another county.
- e. "**Crop year**" means the period within which the tobacco is normally grown and will be designated by the calendar year in which the tobacco is normally harvested.
- f. "**Effective poundage marketing quota**" means the farm marketing quota as established and recorded by ASCS.
- g. "**Farm yield**" means the yield per acre used by ASCS in establishing the basic farm marketing poundage quota for the tobacco farm unless we have established a yield for the farm in the actuarial table.
- h. "**Harvest**" means the completion of cutting of tobacco on any acreage from which at least 20 percent of the amount of tobacco in pounds per acre (obtained by multiplying the applicable insured poundage quota for the unit by the applicable percentage of guarantee

shown in the actuarial table for such acreage and dividing this result by the insured acreage in the unit) is cut.

- i. "**Insurable acreage**" means that acreage planted to an insurable type of tobacco excluding any acreage designated as noninsurable by the actuarial table.
- j. "**Insured**" means the person who submitted the application accepted by us.
- k. "**Loss ratio**" means the ratio of indemnity(ies) to premium(s).
- l. "**Market price**" for a crop year means the average auction price for the applicable type (less six cents per pound for warehouse charges) in the belt or area. The market price will be designated by the actuarial table.
- m. "**Person**" means an individual, partnership, association, corporation, estate, trust, or other business enterprise or legal entity, and wherever applicable, a State, a political subdivision of a State, or any agency thereof.
- n. "**Planting**" means transplanting the tobacco plant from the bed to the field.
- o. "**Rounded**" means rounding up for 1/2 and above and rounding down for less than 1/2.
- p. "**Service office**" means the office servicing your contract as shown on the application for insurance or such other approved office as may be selected by you or designated by us.
- q. "**Support price per pound**" means the average price support level per pound for the insured type of tobacco as announced by the United States Department of Agriculture under the tobacco price support program. For any crop year in which a price support for the insured type is not in effect, the market price for that crop year will be used.
- r. "**Tenant**" means a person who rents land from another person for a share of the tobacco or a share of the proceeds therefrom.
- s. "**Unit**" means all insurable acreage of an insurable type of tobacco in the county in which you have an insured share on the date of planting for the crop year and which is identified by a single ASCS farm serial number at the time insurance first attaches under this policy for the crop year. Units will be determined when the acreage is reported. We may reject or modify any ASCS reconstitution for the purpose of unit definition if the reconstitution was in whole or in part to defeat the purpose of the Federal Crop Insurance Program or to gain disproportionate advantage under this policy. Errors in reporting units may be corrected by us when adjusting a loss.

18. DESCRIPTIVE HEADINGS.

The descriptive headings of the various policy terms and conditions are formulated for convenience only and are not intended to affect the construction or meaning of any of the provisions of the contract.

19. DETERMINATIONS.

All determinations required by the policy will be made by us. If you disagree with our determinations, you may obtain reconsideration of or appeal those determinations in accordance with Appeal Regulations.

20. NOTICES.

All notices required to be given by you must be in writing and received by your service office within the designated time unless otherwise provided by the notice requirement. Notices required to be given immediately may be by telephone or in person and confirmed in writing. Time of the notice will be determined by the time of our receipt of the written notice.